



May 22, 2001

## **Tax Cuts – Action Memo for RSC Members**

**Issue:** Priorities for the Tax Bill Conference Report  
(May Be Completed on Wednesday)

**Action Item:** Talk to Chairman Thomas and the Elected Leadership on the House Floor Today and Tomorrow

### **Talking Points**

**Marginal Rate Relief:** (House: \$952.8 billion, Senate: \$842.7 billion)

- The House passed bill, which largely tracked the President's proposal, should be a minimum in the Conference Report.
- Specifically, it is critical that the top tax rate be lowered to 33%. The Senate only lowers the top rate to the 36%. Currently the top rate is 39.6%.
- If the top rate is not lowered to 33%, then we must include provisions to repeal the phase out of personal exemptions and credits, which effectively lowers the marginal rate on upper-income earners.
- The Conference report should
  - 1) include four tax brackets as proposed by the President and the House rather than the six brackets proposed by the Senate,
  - 2) reduce the income rates at least as much as the President and House proposed, and
  - 3) make the rate reductions retroactive for all brackets rather than just the bottom bracket.

**Marriage Penalty Relief:** (House: \$399.4 billion, Senate: \$59.8 billion)

- The Senate bill, which does not begin doubling the standard deduction or the 15% bracket until 2006, is unacceptable to the family groups. Including an expansion of the child tax credit is not an acceptable substitute for a bad marriage penalty proposal.
- We must begin the phase-in of the doubling of the 15% bracket for married couples in the first year.
- Family groups are willing to support a slow phase-in, delay the doubling of the standard deduction (it might be able to move outside of the reconciliation bill) and slow-down the phase-in of the doubling of the child-tax credit in order to begin marriage penalty relief immediately.
- The Conference Report should repeal the marriage penalty for the top income brackets in the 10<sup>th</sup> year of the bill.

**Death Tax:** (House: \$185.5 billion, Senate: \$145.7 billion)

- It is likely that Death Tax repeal (although slowly phased-in with no repeal until 2011) will be included in the Conference Report.